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SITUATION REPORT

IRAN

Foreign Minister Ghotbzadeh is taking an increasingly hard line. Ayatollah Khomeini has stated that he would not meet with UN Secretary General Waldheim, but the Revolutionary Council said that Waldheim was free to come to Iran. [redacted]

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//In a meeting with Western ambassadors on Friday, Ghotbzadeh reiterated his threat to try the hostages if the UN imposes sanctions. He insisted that Iran has already made conciliatory gestures to the US--including the Christmas visit by four clergymen to the Embassy--but that the US had ignored them.// [redacted]

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Ghotbzadeh over the weekend announced his candidacy for the presidential elections and will probably try to avoid taking positions that might cost him support with Khomeini or Iranian voters. [redacted]

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Waldheim is planning to leave for Tehran today despite Khomeini's refusal to meet with him and the militants' rejection of any attempts at mediation by the Secretary General. The Revolutionary Council, however, apparently has accepted Waldheim's offer to visit, short of issuing a formal invitation. The Iranians would clearly prefer a UN resolution that avoids sanctions, and Ghotbzadeh and other Iranian officials may be willing to meet with Waldheim in order to try to postpone a tougher resolution. [redacted]

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IRAN: Increasing Opium Production

//Opium production in Iran and the use of Iran for the transshipment of opium from Afghanistan and Pakistan have increased over the past year as a result of the turmoil in that country.//

Iran, Afghanistan, and Pakistan now produce an estimated 1,200 tons of opium annually, three times as much as the quantity that comes from the "Golden Triangle" in Southeast Asia. "Middle Eastern" heroin, made from opium grown in these three countries, dominates the European market and has begun to trickle into the US.

//In Iran, the opium harvest this summer totaled about 400 tons, up from the 223 tons legally produced in 1978 under the Shah's addict maintenance program, and reflects a breakdown in the country's narcotics control program. Annual opium consumption now has risen to between 600 and 700 tons, as compared to 500 tons in 1978. //

Iran is the major market and transit point for opium from Afghanistan and Pakistan. An estimated 400 tons of Afghan and Pakistani opium entered Iran this year--200 to 300 tons for domestic consumption and the rest probably for shipment to eastern Turkey for conversion into heroin or transshipment to markets in Western Europe, the US, and elsewhere in the Middle East.

//The Iranian Government acknowledges that it has a problem, but has yet to demonstrate its willingness and ability to control the flow of opium. Ayatollah Khomeini, reflecting Islam's ambivalence about narcotics, has not put opium in the same forbidden category as alcohol. The Iranian National Police Narcotics Administration, the only organization that ever had much success in narcotics enforcement under the Shah, has been rendered ineffective by Khomeini's purges.//

The fall poppy planting in October and November was probably substantial, and the planting next March may be too. Unless narcotics control is given a priority and some sense of direction, Iran could well harvest an even bigger crop next June.

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PORTUGAL: New Prime Minister and Cabinet

Francisco Sa Carneiro on Saturday accepted the nomination as Portuguese Prime Minister and proposed a cabinet that appears to be the most conservative since the leftist revolution in 1974.

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Ten of 15 cabinet posts, including most of the key economic and political portfolios, will go to Sa Carneiro's Social Democrats who dominate the rightist Democratic Alliance coalition that won a narrow legislative majority on 2 December. The other major members of the coalition, the Center Democrats, will be strongly represented by party president Freitas do Amaral--who will become both Deputy Prime Minister and Foreign Minister--and by Amaro da Costa--who was a surprise choice for the Ministry of Defense. Two other Center Democrats and an independent will round out the government team.

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In keeping with the special challenges it faces--most importantly another legislative election before October 1980--the new cabinet appears to be a blend of strong political and somewhat less impressive administrative and technical skills. Five of the new ministers are among the country's leading political personalities. The Labor and Agriculture portfolios have gone to Social Democrats who held related positions in the Mota Pinto government earlier this year, a sign that Sa Carneiro will not avoid confrontations with the left.

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Sa Carneiro's government will be preoccupied with establishing its credibility as a viable alternative to Portugal's unsuccessful experiments with Socialist and radical left governments. The new government's short term, its tenuous political mandate, and constitutional controls on its options, however, will militate against any attempt to introduce major reforms.

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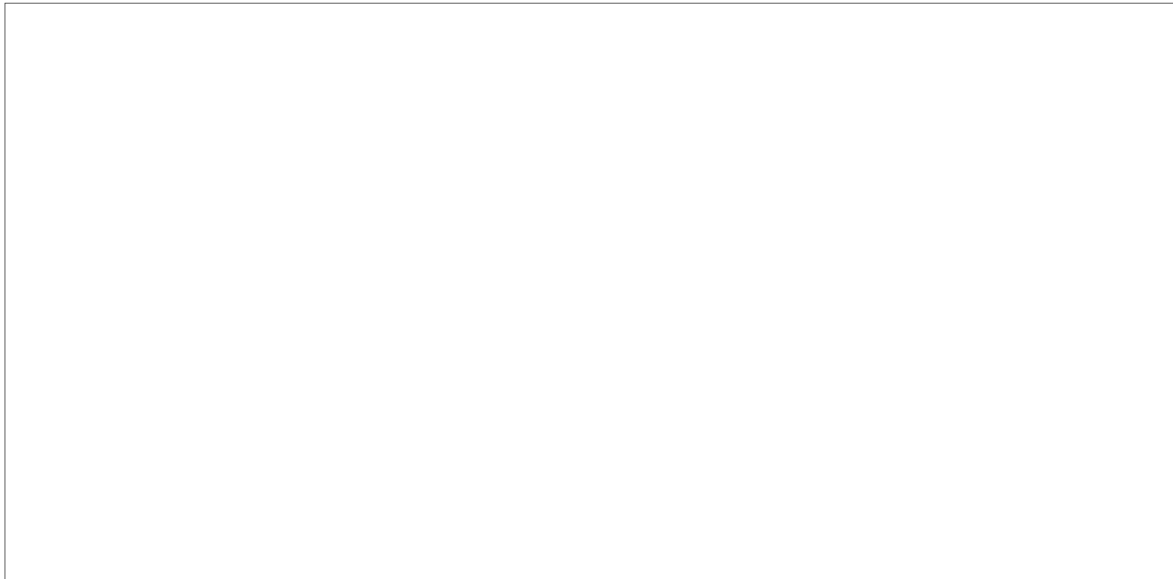
The new government shows some signs of wanting to distance itself from President Eanes. It is the only postrevolutionary government not to include a military representative--highlighting Sa Carneiro's longstanding but unfounded contention that Eanes has sought to "militarize" the regime. Alliance leaders are also voicing their intentions to back a civilian candidate for President who will not double as Armed Forces Chief of Staff--a position Eanes now occupies.

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EL SALVADOR: Cabinet Crisis

//The recent military crackdown on leftist extremists has divided the junta, provoking threats of resignation by two civilian junta members and a majority of the cabinet ministers. Liberals in the government, fearing a return to the repressive policies of the regime ousted in October, late last week reportedly demanded a restructuring of the junta and the armed forces chain of command.//

//The dissidents--led by junta members Ungo and Mayorga--include the most important center-left figures in the government, and their departure would seriously weaken the junta's already shaky political support. Although a compromise may be worked out, the split dramatizes the junta's dilemma over how to deal with the escalating guerrilla insurgency and the continued difficulty of decisionmaking among the diverse interests represented in the ruling coalition.//

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FRANCE: Special Taxing Authorization

The Barre government and its Gaullist supporters stopped squabbling long enough Thursday night to pass emergency legislation authorizing the government to collect taxes and other revenues in 1980 on the same basis as in 1979. Parliament was called into extraordinary session last week when the Constitutional Council--France's Supreme Court--nullified the 1980 budget bill on a technicality. While the emergency legislation gives Barre some breathing room, he still must gain permanent budget authorization. During the regular session of parliament, the Gaullists--who want reduced government administrative expenditures--forced Barre to resort to somewhat embarrassing parliamentary maneuvering to win approval of the budget. The scenario is likely to be much the same the second time around, further underscoring tensions that leave the government in place but somewhat ineffective.

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SPECIAL ANALYSIS

SOUTH KOREA: Under New Military Leadership

//The "headquarters coup" within the South Korean military leadership on 12 December has weakened discipline and could provoke more infighting in the armed forces in the months to come. The new Army leaders, despite their protestations of political neutrality, have already intervened in the civilian political process and could exert a negative influence on the pace and scope of political liberalization.//

//The civilian government of President Choe Kyu-ha is attempting to play down the significance of the "coup" and is still moving gradually toward political normalization. As the nation moves toward constitutional revision next year and the election of a new president, the new power brokers in the military will almost certainly find themselves drawn into a more direct involvement in civilian politics.//

Uneasy Military Situation

//The events of 12 December took place in an environment of long simmering generational differences, factional and personal rivalries, and conflicting political views within the officer corps. The coup has further weakened Army solidarity by surfacing old grievances and opening new wounds. Loyalties have been betrayed, traditional patterns of military command relations overturned, and a dangerous precedent for insurrection set.//

//Although there appears to be considerable support for the ascendant generals among younger officers, a countercoup by supporters of the deposed officers or other factions is still possible. Should frictions surface, popular confidence in the military would erode further, and North Korea might reassess its intentions toward the South, a possibility that has already prompted concern in Seoul.//

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//The coup group's decision to try the former Army Chief of Staff for complicity in President Park's assassination, and its clumsy, contrived investigation report on the officer's alleged involvement--based almost entirely on circumstantial evidence--could further weaken the new military leaders' prestige in the eyes of both the public and the rest of the military.// [redacted]

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//For the short term, the military leadership probably will continue to disavow political pretensions and permit the civilian government to administer the country. President Choe--a weak leader--will nevertheless come under heavy military pressure on virtually all major political decisions. The new military leadership has already indicated that it will not permit political dissent to disturb social order. To underscore this point it has decided to try dissidents arrested last month, including former President Yun Po-Son, for martial law violations. The military has also indicated its desire to "purify" Korean society through an anticorruption program aimed at politicians, government officials, and businessmen. Military leaders have given no indication of when they intend to lift martial law, and they might try to keep it in effect until a new president is elected in 1981.// [redacted]

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Political Normalization

//Choe is continuing to move ahead with his own program of political normalization, proceeding as though the military power grab were but a minor incident. He has named a new, fairly neutral cabinet--including several members dictated by the coup group--and released more political prisoners. In his inaugural address on the 21st, Choe reaffirmed his intention to step down after the adoption of a new constitution and the election of a president, and called for completion of the revisions in a year, barring "unforeseen contingencies."// [redacted]

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//At the same time, Choe noted that stability is his paramount concern and intimated that constitutional revisions should not be too sweeping. So far, he has made

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no move to restore the civil rights of the released political prisoners, including those of potential presidential candidate Kim Tae-chung.//

//Members of the progovernment Democratic Republican Party will seek to cement ties with military figures to foster their own political ends, stressing the importance of a strong constitution and central government. Some leaders of the party appear to share the aversion of the new military leadership to rapid reform and might become less willing to compromise with the opposition. Opposition political figures, on the other hand, have been hurt by the coup. They have no ties with and are generally regarded with hostility by the military.//

//If there is a widespread perception that the military will oppose substantial liberalization, frustrated opposition and dissident forces would almost certainly resume their confrontation with the government. By spring, the traditional season for student political demonstrations, the situation could reach crisis proportions.//

Economic Problems

//The military power grab has further shaken the confidence of the international banking community, which was just beginning to recover from the shock of the Park assassination in late October. If the military's anti-corruption drive spills over into the civilian sector, it could worsen domestic business confidence in this period of economic downturn and lead to a wider deterioration of popular confidence. This in turn could lead to additional business failures, higher unemployment, and labor disputes, further exacerbating the political situation.//

//The emergence of a new leader of sufficient strength and ability to balance the competing pressures for stability and for political reform could substantially alter the situation. Such a figure, who would have to have the confidence of the younger generals, would be in a far better position than the current mix of leaders to keep the relationship with the US on an even keel and maintain a credible commitment to political liberalization. No such leader is readily apparent, but one could emerge in a situation as fluid as that now existing in South Korea.//

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